

LOUISIANA STADIUM AND EXPOSITION DISTRICT  
MANAGEMENT FEE COMPUTATION SCHEDULE  
STATE OF LOUISIANA



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FINANCIAL AUDIT

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ISSUED OCTOBER 17, 2007

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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October 9, 2007

Independent Auditor's Report

**BOARD OF COMMISSIONERS  
LOUISIANA STADIUM AND EXPOSITION DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the basic financial statements of the Louisiana Stadium and Exposition District as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 9, 2007. We have also audited the accompanying schedule of management fee computation, as listed in the foregoing table of contents, under the provisions of Article 4.1 of the Management Agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, for the year ended June 30, 2007. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on the schedule based on our audit.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule's presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that Article V, Section 5.1 of the Management Agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, governs the contents of the schedule referred to in the first paragraph.

The accompanying schedule was prepared for the purpose of complying with the terms of the Management Agreement referred to in the first paragraph and is not intended to be a complete presentation of the financial position and activity of the Louisiana Stadium and Exposition District.

In our opinion, the schedule referred to above presents fairly, in all material respects, the management fee computation of the Louisiana Stadium and Exposition District for the year ended June 30, 2007, as defined in the Management Agreement referred to in the first paragraph.

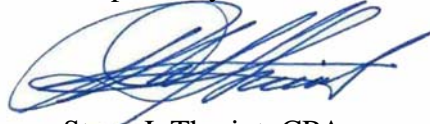
## LOUISIANA STADIUM AND EXPOSITION DISTRICT

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As discussed in the note to the schedule, beginning for the year ended June 30, 2007, the management fee for SMG, Inc., was computed in accordance with the sixth amendment to the management fee agreement dated July 1, 2003. Since the management fee structure used to compute the management fee for the year ended June 30, 2007, is not comparable to the management fee structure used in previous years, comparative data for the year ended June 30, 2006, is not included in the accompanying schedule.

This report is intended solely for the information and use of the Board of Commissioners and management of SMG and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

MH:ES:PEP:dl

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**LOUISIANA STADIUM AND EXPOSITION DISTRICT  
STATE OF LOUISIANA**

**Schedule of Management Fee Computation  
For the Year Ended June 30, 2007**

		<u>2007</u>
<b>BASE FEE:</b>		
Fixed Base Fee per Section 5.1.b of the Amended Agreement	\$1,000,000	
Adjustments required by amended Management Agreement:		
Adjustment for increase in consumer price index - Section 5.1.d	104,500	
Adjustment for manager's capital contribution - Section 5.1.e	200,000	
Fee Increment Adjustment - Section 5.1.g	<u>(363,290)</u>	
ADJUSTED BASE MANAGEMENT FEE		\$941,210
<b>INCENTIVE FEE:</b>		
Adjusted Net Income, as defined by the Management Agreement	17,658,719	
Adjustments required by the Management Agreement:		
Revenue adjustment for Saints event revenue	(3,710,826)	
Revenue adjustments for Saints suite revenue	(3,873,082)	
Revenue adjustment for Hornets event revenue	<u>(279,321)</u>	
Net Income as adjusted per Management Agreement	9,795,490	
INCENTIVE FEE - 10% of first \$10,000,000 of Adjusted Net Income per Management Agreement, Section 5.1.b.3		979,549
<b>BONUS:</b>		
20% of Adjusted Base Fee per Management Agreement for the year ended June 30 2007, calculated in accordance with the provisions of Section 5.1.b.4		188,242
<b>TOTAL MANAGEMENT FEE COMPUTATION, BEFORE CAP</b>		<u><u>\$2,109,001</u></u>
<b>MANAGEMENT FEE CAP CALCULATION:</b>		
Management Fee Cap per Section 5.1.c of the Amended Agreement	1,500,000	
Adjustments required by the Management Agreement:		
Adjustment for increase in consumer price index - Section 5.1.d	156,750	
Adjustment for manager's capital outstanding - Section 5.1.e	600,000	
Fee Increment Adjustment - Section 5.1.g	<u>(363,290)</u>	
ADJUSTED MANAGEMENT FEE CAP FOR THE YEAR ENDED JUNE 30, 2007	1,893,460	
<b>MANAGEMENT FEE - SMG</b>		<u><u>\$1,893,000</u></u>

The accompanying note is an integral part of this schedule.

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## NOTE TO THE SCHEDULE OF MANAGEMENT FEE COMPUTATION

### **Amended Management Agreement**

Effective July 1, 1977, the State of Louisiana entered into a management agreement with HMC Management Corporation (which later changed its name to Facility Management of Louisiana, Inc.) (the “Management Agreement”) to manage the Louisiana Superdome. Effective June 19, 1998, the Management Agreement was amended to authorize the substitution of SMG Corporation for Facility Management of Louisiana, Inc., as manager under the agreement and to include the Arena among the properties to be managed by the manager under the Management Agreement. Effective July 1, 2003, the Management Agreement was amended and the term of the Agreement was extended until June 30, 2012.

Pursuant to the amendment to the Management Agreement on July 1, 2003, the formula for compensation to SMG for its services changed for the year ended June 30, 2007, to a combination of a base fee, incentive fee, and bonus fee, capped at \$1,500,000 subject to adjustments per the terms of the Management Agreement. The annual “base fee” is \$700,000 for the Louisiana Superdome and \$300,000 for the New Orleans Arena. The base fee is adjusted for the increase in the Consumer Price Index, total manager’s capital provided, and by a fee increment adjustment, as provided by sections 5.1.d, 5.1.e, and 5.1.g, respectively. The “incentive fee” will consist of 10% of the adjusted net income as defined by the Management Agreement for the Louisiana Superdome and New Orleans Arena, subject to limits established in the agreement. The “bonus fee” will be computed using a percentage of the combined base fees derived from comparing the actual financial performance of the two buildings to budgeted performance. For the year ended June 30, 2007, the bonus fee is 20% of the base fee in accordance with section 5.1.b.4 of the agreement. The combined fee paid to SMG for the year may not exceed \$1,500,000 as adjusted for the Consumer Price Index (section 5.1.d), manager’s capital contributed by SMG (section 5.1.e), and a fee increment determined by comparing actual fees earned for fiscal years ended June 30, 2004, 2005, and 2006, to those that would have been earned for those years had the revised fee structure been in effect for those years (section 5.1.g). For the year ended June 30, 2007, the management fee cap was rounded to the nearest \$1,000 and the total management fee was \$1,893,000.

For the year ended June 30, 2006, the compensation to SMG for its services related to the Louisiana Superdome was dependent on achieving an improvement in the District's operating deficit over the year ended June 30, 1977. Because the calculation of the management fee is computed using different applicable terms of the Management Agreement and amendments for 2006 and 2007, a comparative schedule for the two years is not presented.

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